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2001 NOV - 2 P 4 39

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Arizona Corporation Commission

DOCKETED

DOCKET NO. RT-00000H-97-0137

NOV - 2 2001

COMMENTS

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IN THE MATTER OF THE REVIEW AND
POSSIBLE REVISION OF ARIZONA UNIVERSAL
SERVICE FUND RULES, ARTICLE 12 OF THE
ARIZONA ADMINISTRATIVE CODE.

Verizon Wireless ("VZW") submits these comments on the above-captioned review and revision of the Arizona Universal Service Fund Rules ("*Review Notice*") pursuant to Commission Staff's September 20, 2001 letter. Verizon Wireless believes that the Commission should preserve a limited conception of universal service that ensures affordable access to basic telephone service while maintaining the Arizona Universal Service Fund ("AUSF") at a reasonable size.

I. THE AUSF SHOULD MAINTAIN A LIMITED FUNDING MECHANISM

In the *Review Notice*, the Commission asks if and how it should change the goals, scope, and workings of the AUSF. Among other things, the Commission asks (i) how the AUSF rules might be changed to increase service to unserved areas, (ii) whether AUSF support should be made available to carriers that do not have "eligible telecommunications carrier" ("ETC") status, and (iii) whether the definition of local exchange service should be broadened to include other services.

As a general matter, Verizon Wireless believes that the Commission should preserve a limited conception of universal service that enhances Arizona consumers' access to basic local service while maintaining the AUSF at a reasonable size. Verizon Wireless strongly opposes

1 any effort to broaden the definition of local exchange service and expand the range of services
2 supported by the AUSF. Certainly, any decision to provide AUSF support for such services as
3 advanced or high speed data services, Internet access, or toll and expanded area services would
4 exacerbate the intrastate contribution burden for carriers operating in Arizona. For the reasons
5 described by the Federal Communications Commission in 1997 in formulating the federal USF
6 mechanism, such a scenario is clearly counter to the interest of Arizona consumers:
7 “[S]upporting an overly expansive definition of core services could adversely affect all
8 consumers by increasing the expense of the universal service program and, thus, increas[e] the
9 basic cost of telecommunications services for all.”¹

10 For the same reason, the Commission should continue to limit the provision of AUSF
11 support to carriers that have obtained ETC status. As with a broader LEC definition, relaxation
12 of the current funding eligibility requirement would result in unwarranted growth of the AUSF.

13 With respect to unserved areas, the Commission’s universal service approach should
14 again be limited. Rather than adopt a general policy regarding unserved areas, the Commission
15 should act on an area-by-area basis in response to petitions from individuals who wish to receive
16 service. The costs of providing such service are likely to vary over time and between areas, and
17 the results of any generic proceeding on unserved areas are likely to be stale by the time service
18 is requested for any specific area. In addition, before considering the designation of any carrier
19 to provide service to an unserved area, the Commission should hold a hearing to determine if any
20 carrier is willing to *volunteer* to serve that area. In this way, the Commission will limit the

21 ¹ *Federal-State Joint Board on Universal Service, Report and Order*, CC Docket 96-45, 12 FCC Rcd 8776, 8807-25
22 (1997) (“*First Report and Order*”). As required by federal statute, the FCC is now undertaking a review of the
federal definition of universal service. In that proceeding, Verizon Wireless will argue that there is no justification
for expanding the range of services that are supported under the federal USF. See *Federal-State Joint Board on
Universal Service Seeks Comment on Review of the Definition of Universal Service, Public Notice*, CC Docket No.
96-45, 2001 FCC LEXIS 4522 (rel. Aug. 21, 2001).

1 amount of time, money, and resources that it and carriers will spend unnecessarily on unserved
2 area issues.

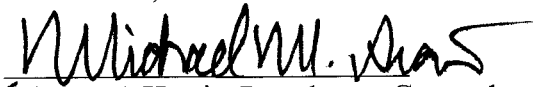
3 **II. THE COMMISSION SHOULD BEAR IN MIND THE EFFECTS OF ITS USF**
4 **POLICY ON WIRELESS CARRIERS**

5 Overall, in reviewing these issues and revising the scope of the AUSF, the Commission
6 should bear in mind the effect of this program on wireless carriers, who are required to
7 contribute to the fund but who are unlikely, in Arizona as elsewhere, to receive more than a tiny
8 fraction of available universal service funding. Given the discretionary nature of wireless service
9 for many consumers, substantial AUSF assessments and the resulting subscriber surcharges
10 could reduce demand and shift consumer spending away from wireless services. This result
11 could dampen the wireless growth and innovation that has to date yielded great public interest
12 benefits for consumers in Arizona and elsewhere.

13 Verizon Wireless looks forward to further participation in this proceeding, and plans to
14 address additional universal service issues in the future as the Commission moves forward with
15 its review and revision of the AUSF.

16 RESPECTFULLY submitted this 2nd day of November, 2001.

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1 **Original** and ten copies filed this
2 2nd day of November, 2001, with:

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8 13581-0003/967260
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